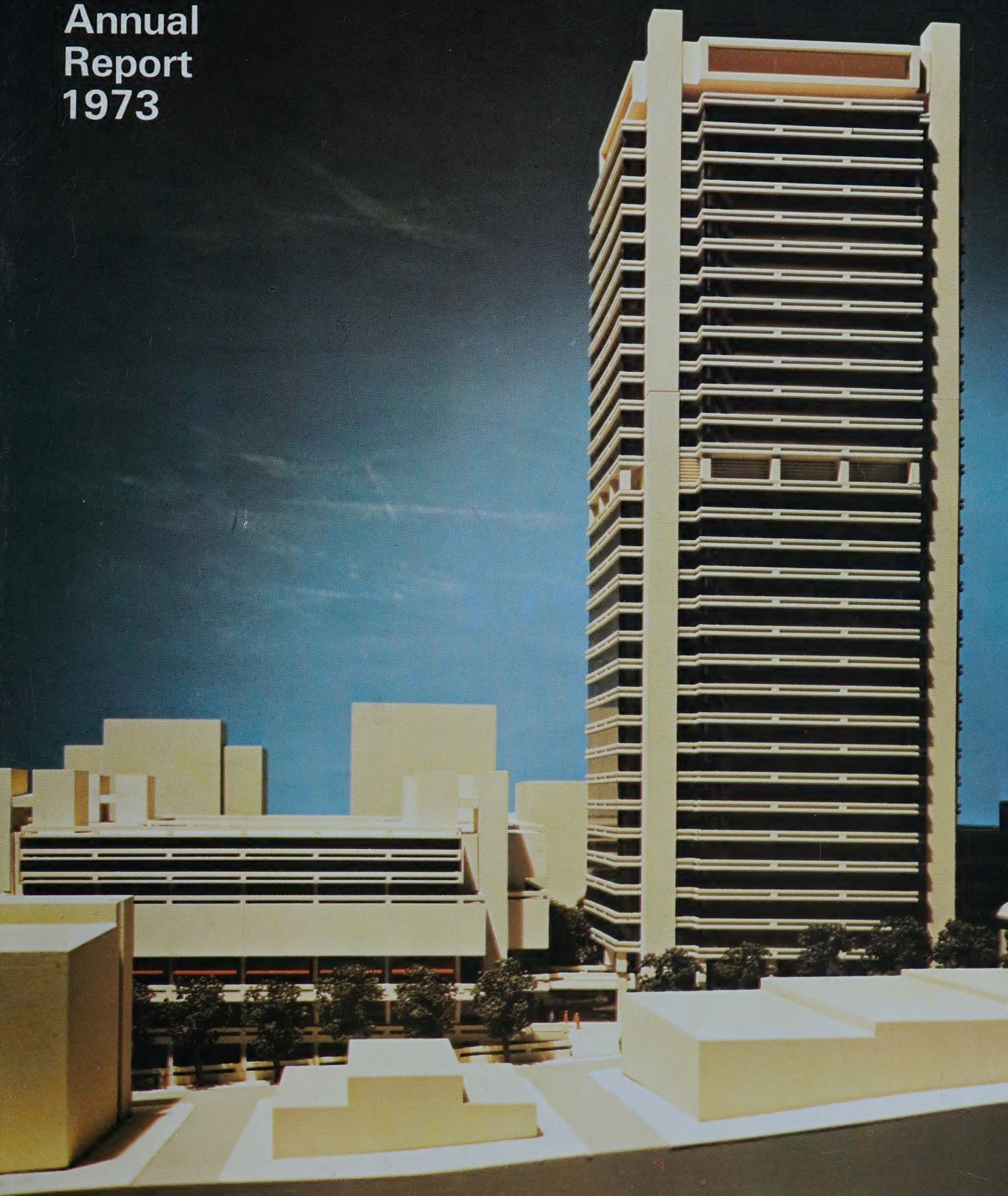


AR51

The New Brunswick Telephone Company, Limited

**Annual
Report
1973**



COVER

The 33-storey office tower of the proposed Brunswick Square complex in uptown Saint John is featured in this photo of the model of the project which was unveiled late last summer. The tower will house the corporate headquarters of NBTel.



NBTel Annual Report 1973

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ANNUAL GENERAL MEETING

The Annual General Meeting of the Common Shareholders of The New Brunswick Telephone Company, Limited will be held at the office of the Company at number 22 Prince William Street, Saint John, New Brunswick, on Friday, the first day of March, 1974, at 2:30 in the afternoon (local time).

Les actionnaires qui désirent recevoir ce rapport en français sont priés d'en faire la demande au Secrétaire-Trésorier.



NBTel, part of
Trans-Canada Telephone System

THE REPORT AT A GLANCE

	1973	1972
Construction program expenditures	\$29,712,922	\$23,932,724
Telephone property, December 31	\$227,185,142	\$202,070,019
Telephones in service, December 31	282,510	260,050
Long distance messages	16,700,317	14,108,675
Total income	\$56,536,696	\$50,065,046
Operating expenses	\$36,755,031	\$32,638,016
Interest charges	\$4,444,644	\$3,538,763
Income tax	\$7,384,622	\$6,371,614
Net income	\$7,952,399	\$7,516,653
Net income per common share	\$1.60	\$1.55
Dividends declared per common share	\$0.94	\$0.86
Common equity per common share, December 31	\$14.99	\$14.42
Cash flow per common share	\$4.84	\$5.05
Return on common shareholders' equity	10.84%	10.99%
Return on total shareholders' equity	10.42%	10.63%
Return on total invested capital	8.84%	8.86%
Average common shares outstanding	4,645,008	4,574,591
Common shareholders, December 31	11,059	11,174
Employees, December 31	2,483	2,301

VALUATION DAY

The value of a common share of the Company on valuation day, December 22, 1971, recognized by the Department of National Revenue for capital gains tax purposes, was \$14.63.

The New Brunswick Telephone Company, Limited

Head Office of the Company: Fredericton, New Brunswick

Executive Office: Saint John, New Brunswick

Officers

Leonard Lockhart
Chairman of the Board

Kenneth V. Cox
President

E. D. Thompson
Vice-President, Operations

G. E. Graham
Vice-President, Planning

N. A. Patterson
Vice-President, Finance

N. E. Britton
Secretary-Treasurer

Directors

John G. Burchill
President
Geo. Burchill & Sons
(Plywood) Limited
Nelson-Miramichi, N. B.

D. Chester Campbell
President and General Manager
Tractors and Equipment
(1962) Limited
Fredericton, N. B.

William M. Cavanaugh
Branch Manager
Lounsbury Co. Ltd.
Campbellton, N. B.

Clarence T. Clark *
480 Clearview Row West
Saint John, N. B.

J. Eric Cormier
President
White Cab Co., Ltd.
Moncton, N. B.

Kenneth V. Cox *
President
The New Brunswick Telephone
Company, Limited
Saint John, N. B.

Robert C. Eddy
Vice-President
Bathurst Broadcasting Co., Ltd.
Bathurst, N. B.

R. Whidden Ganong *
President
Ganong Bros. Limited
St. Stephen, N. B.

Alfred R. Landry
Senior Partner
Landry, Brison, LeBlanc
and LeBreton
Moncton, N. B.

Alphée E. Levesque *
President
Bell Equipment Co. Ltd.
Edmundston, N. B.

Walter F. Light *
Executive Vice-President
Operations
Bell Canada
Montreal, Quebec

Joseph A. Likely
President and General Manager
Jos. A. Likely Limited
Saint John, N. B.

Leonard Lockhart *
Chairman of the Board
Lockharts Limited
Moncton, N. B.

Andrew H. McCain *
Vice-President
and General Manager
McCain Produce Company, Ltd.
Florenceville, N. B.

John E. Skinner
Vice-President, Personnel
Bell Canada
Montreal, Quebec

* *Member of Executive Committee*

Stock Transfer Offices

The New Brunswick Telephone Company, Limited
22 Prince William Street
Saint John, New Brunswick

The Royal Trust Company
Halifax, Montreal, Toronto,
Winnipeg, Regina, Calgary
and Vancouver

STOCK LISTED
Montreal Stock Exchange
Toronto Stock Exchange

The Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver offices of the Royal Trust Company are registrars of stock.

Trustee for Debentures

Montreal Trust Company



Hip waders and climbing spurs make an unusual combination as this installer-repairman overcomes the problem of repairing telephone service knocked out by severe flooding of the St. John River last spring. Many of our employees worked irregular hours and sacrificed their days off to help keep communication lines open in the emergency.

REPORT OF THE DIRECTORS

The substantial growth of the province's telecommunications requirements made 1973 one of the most challenging years in our company's history. Long distance messages handled during the year climbed to more than 16,700,000, an increase of 18.4 percent and accounted for 55.9 percent of 1973 operating revenues. The company installed 78,300 telephones and removed 56,700 for a record net increase of 21,600 telephones in service. This was the heaviest workload in our 85 years of operation. Earnings per common share were \$1.60 compared with \$1.55 in 1972.

Record Capital Spending Program

The largest construction program in the company's history, an expenditure of \$29.7 million, up 24.2 percent from 1972, was required to meet demands for service and future growth. More

than \$4.7 million of this amount was spent on the Rural Service Improvement Program, expanding and upgrading service outside the urban areas. This program will make individual line service available to most non-urban households in the province with four-party service replacing the remaining ten-party lines in sparsely populated areas. The major impact of this Rural Service Improvement Program has not yet been felt, although 1973 saw new or improved service provided for 1,700 rural customers.

New work centres in Moncton and Bathurst were constructed during the year. A new \$3.8 million microwave route through northern New Brunswick was started in 1973. This facility, designed to meet increasing voice, video and data requirements, is expected to



Willie-the-Whale is not as big as Moby Dick, but he is a lot better natured. The 20-foot mini-monster appeared on behalf of NBTel in Santa Claus parades in Moncton, Saint John and Fredericton last Christmas, squirting a 12-foot stream of water from his spout to the delight of thousands of youngsters.



The company went mod with the introduction of eye-catching attire for NBTel's exhibition booth hostesses. The seven-piece ensemble was created exclusively for NBTel by a leading Canadian courturier. The girls were a standout among the many decorative styles of telephones in the NBTel display.

be in operation in 1974. It is being built by NBTel as part of the Trans-Canada Telephone System's second national microwave route.

The company purchased the New Brunswick assets of the Fort Kent Telephone Company, a subsidiary of the Maine State Telephone Company. This purchase, adding about 840 telephones in the Clair area of Madawaska County, brings all telephone service in the province under NBTel operation.

Long Distance Calling Stimulated

To encourage increased use of the telephone network during off-peak hours, the company obtained approval to revise its long distance telephone rates on calls made within the province. The new schedule offers customers substantial savings on calls made between 6 p.m. and 8 a.m.

A ruling by the New Brunswick Board of Commissioners of Public Utilities last May, required Extended Area Service between the new Cocagne Exchange and Moncton. This caused a number of major changes in the company's plan to open the new exchange. About 300 customers are now being served from the new Cocagne office while another 400 customers will be transferred to the new exchange in May of this year when switching equipment in the office is rearranged and additional circuits are added.

CALLPAK, a unique service which offers a special rate on "packages" of long distance telephone calls was made available to customers in the Saint-Antoine Exchange. Benefiting those who

frequently call from Saint-Antoine to Moncton, customers have the option of purchasing a specified number of calls per month at a rate below the charge for regular long distance service. In the Hampton Exchange, where CALLPAK was first introduced on a trial basis in 1972, the service became a permanent offering.

A Touch-Tone promotional campaign was conducted in Fredericton in April, following the late 1972 cutover of the new Carleton Street Central Office. Fredericton became the sixth centre in New Brunswick to receive Touch-Tone service.

New Services Introduced

A new digital data communications service, known as Dataroute, was introduced by our company as part of the Trans-Canada Telephone System. This competitive offering is the first

nation-wide digital data system in the world operating on a commercial basis. Saint John and Moncton are the initial Dataroute service areas in New Brunswick.

Several other major service offerings were introduced during the year, including a new facsimile transmission service developed by our company on behalf of the Trans-Canada Telephone System. Known as Faxcom, the unit sends and receives pictures and other printed or graphic material in minutes, using the telephone network. The development of Faxcom involved many months of study, evaluation and engineering.

For the customer on the go, NBTel introduced the Call Diverter, an electronic

telecommunications device capable of transferring incoming calls to other pre-selected numbers.

A Time and Temperature "Dial-a-Service" was offered by the company on a trial basis in mid-year. For seven cents, the caller is given the time to the second, followed by the outdoor downtown temperature. The service is available at the present time only in the Saint John area.

Other new service offerings made available during the year include the Logic 10 key telephone and decorator sets in several styles.

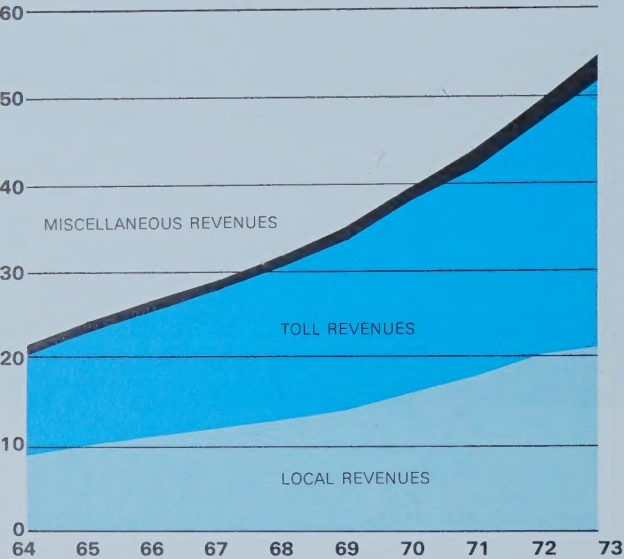
Company Interests Expand

A highlight of the year was the announcement of our participation in a \$42 million real estate development in

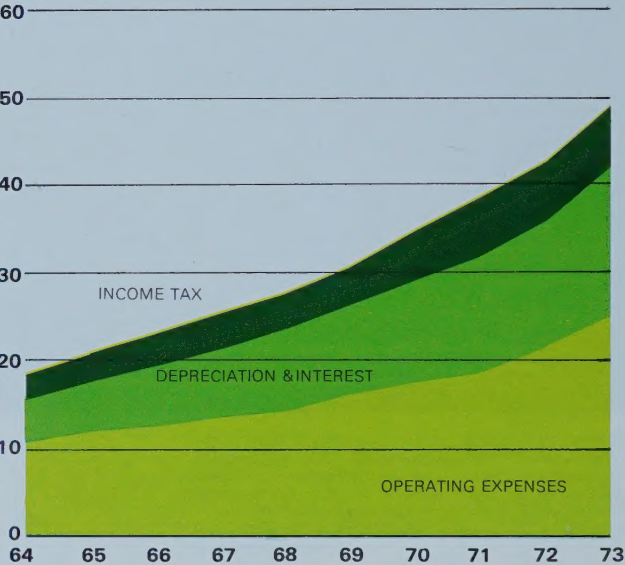
Saint John. To be known as Brunswick Square, the venture is being undertaken by The Bank of Nova Scotia, MRA Holdings Ltd., our company and Trizec Corporation of Montreal, the developer. A major component of the development will be a 33-storey office building. In the first phase of 19 storeys, the office tower will contain approximately 300,000 square feet with the company leasing about 60 percent of this space for its corporate headquarters.

The second phase — an additional 14 storeys totalling 200,000 square feet — will be built when required by demand for space. In addition to its attraction as a long-term investment, the development should help polarize urban growth in the uptown area and thus reduce the cost of utility service, including telephone distribution facilities.

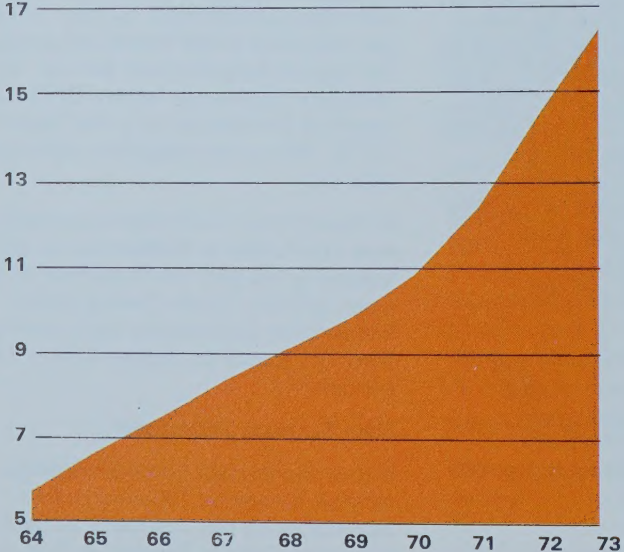
Components of Total Revenue
Millions of Dollars



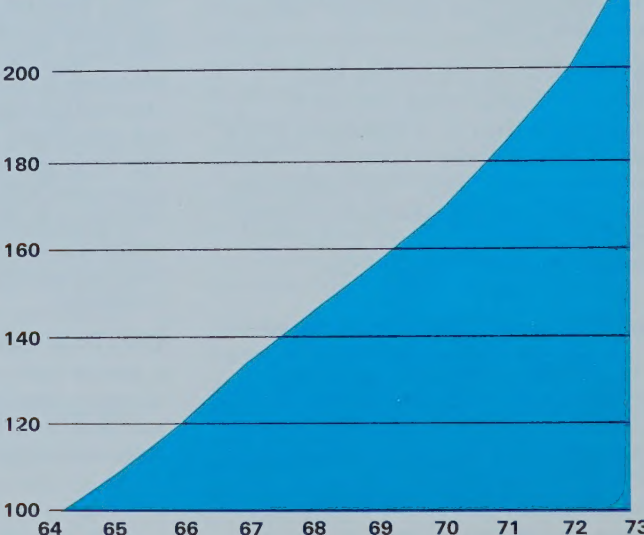
Components of Expense
Millions of Dollars

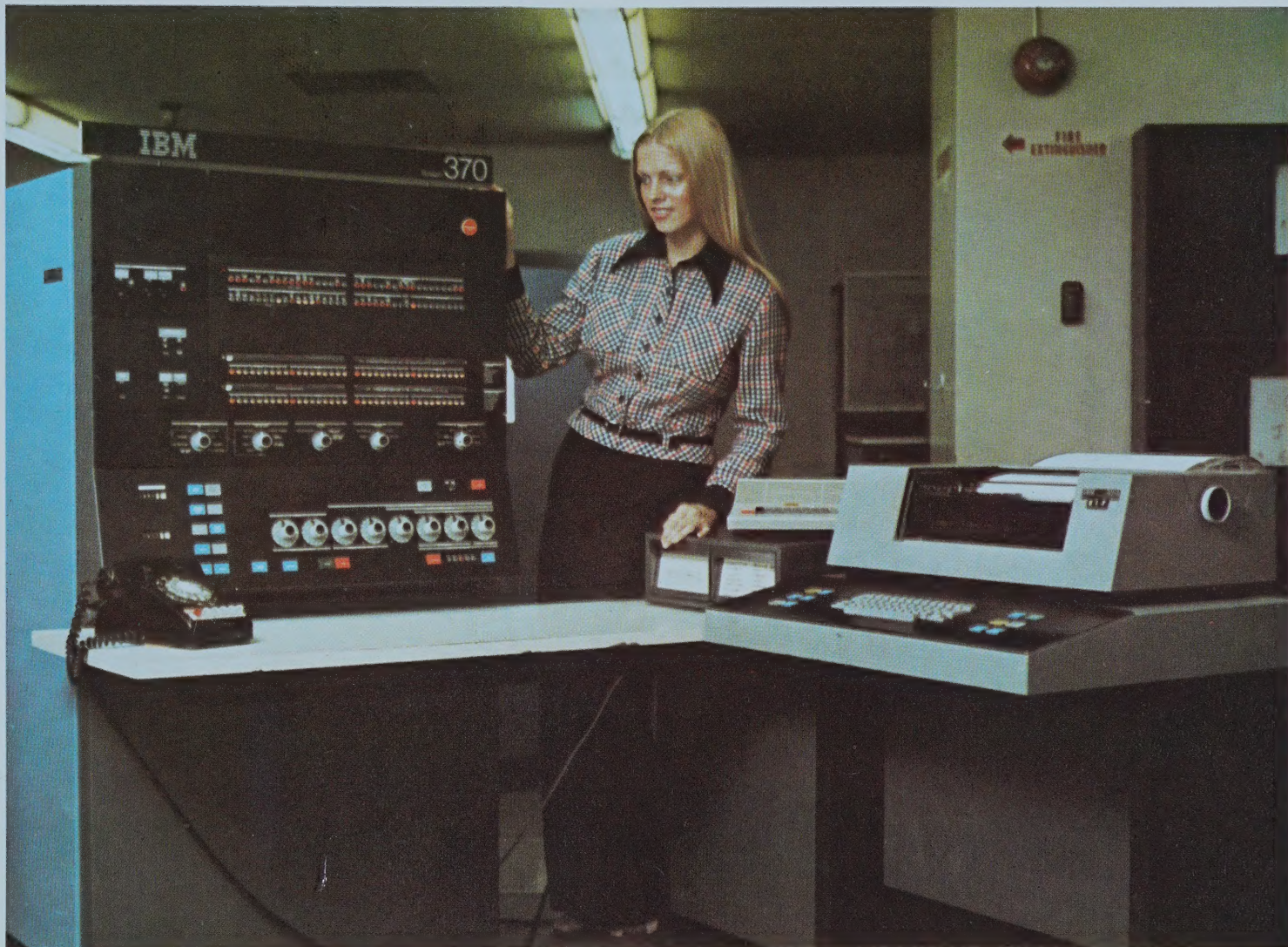


Long Distance Messages
Millions



Total Plant Investment
Millions of Dollars





The latest in computer technology is being utilized by NBTel. Serving a wide area of company needs, this new computer replaces two earlier models and is capable of doing the work of several units simultaneously.

NBTel has also purchased 15 percent of the equity shares of Fredericton Developments Ltd., which was established to construct an \$8 million retail-office complex in downtown Fredericton. Land for the complex has been sold to Fredericton Developments Ltd. by NBTel. In addition to providing NBTel with office facilities, the project will contribute to the redevelopment of the downtown area of the city.

A new subsidiary, Dobbin Surveys Limited, was established during the year with offices in Saint John. The company was incorporated to undertake land surveying in the province, specializing in surveys for submarine and buried cable routes as well as microwave tower locations.

Holding Company Established

Late in the year, Bruntel Holdings Ltd. was incorporated as a wholly owned subsidiary of NBTel to facilitate the handling of NBTel's investments in subsidiaries and associated companies. Bruntel holds NBTel's investment in Dobbin Surveys Limited, Fredericton Developments Ltd., and Brunswick Square Ltd., and will hold other subsidiary and associated companies which may be established in the future.

Revenues and Costs Increase

Operating revenues continued to strengthen in 1973, expanding to \$55.4 million, an increase of 11.7 percent over the previous year. A major contributing factor of this growth was the gain in revenue from long distance services. Long distance revenue amounted to \$31.0 million, an increase of 12.8

percent. Local revenue continued its growth, showing a gain of \$2.1 million, up 10.3 percent over last year.

Operating expenses were again subject to the pressures of increasing costs and service demands, resulting in an additional \$4.1 million. Although this growth is substantial, it has slowed from 14.0 percent in 1972 to 12.6 percent in 1973.

Compared to 1972, the provision for income tax increased over \$1 million in 1973. Of this increase, about \$375,000 or \$.08 per common share was due to a change in the tax rate, resulting mainly from the termination at December 31, 1972, of the temporary 7 percent reduction in Federal income taxes.



The first installation in Canada of the new Logic 10 key telephone was made by NBTel in the Fredericton office of New Brunswick Lieutenant-Governor Hédard Robichaud. The instrument, available in a wide range of colors, is proving a popular business offering.



Water inundated a number of buildings in Fredericton when the St. John River flooded last spring and NBTel cable splicers had the complicated job of drying out underground facilities such as this 1200 pair cable in the basement of the main office of the Provincial Government.

Earnings per common share amounted to \$1.60, an increase of \$.05 over 1972. The common dividend was increased twice during the year to \$.96 per share, from \$.88 per share in 1972, representing a payout of 60.0 percent of earnings.

Financial Commitments High

In addition to financing the large capital program, funds were required to retire \$1.5 million Series "A" Debentures on October 1. To finance these commitments, the company issued \$15 million Series "N" Debentures at an interest rate of 8.15 percent. Escalation of interest rates subsequent to this issue permitted the company to invest its temporary surplus funds at favorable rates. Current operations generated \$23.0 million toward the financing of the construction program.

In 1974, construction expenditures are expected to exceed \$37.5 million. Funds will also be required to retire the \$2.0 million Series "B" Debentures maturing in August. As a result, external financing in the order of \$16 million will be required in 1974.

The unprecedented growth in customer demand which continued into 1973, combined with a sharp increase in the effects of chronic inflation, is exerting a steady upward pressure on construction program requirements. Present plans indicate a five year construction program of about \$207 million.

The need for extensive external financing to pay for this program focuses attention on the company's competitive position in capital markets. With growing demand for capital,

interest rates are at historically high levels and, although earnings have improved steadily, the rate of return on capital at 8.8 percent is lower than the current prime bank interest rate. The company's ability to continue to serve the public depends on achieving an earnings level sufficient to attract capital in competition with other opportunities for investment.

New Board Chairman Elected

At the 1973 annual meeting, Leonard Lockhart was elected Chairman of the company's Board of Directors, succeeding J. L. Black who did not re-offer for election to the Board.



Customers are warned to call before they dig in a new television commercial aimed at protecting buried cable. The 60-second production, filmed in 1973, will be shown provincially later this year. Here, a film crew shoots a segment of the commercial in a new residential area, typical of many locations where facilities are being placed underground.

Mr. Lockhart became a member of the Board in 1946 and served on the Executive Committee from 1953 to 1963. Mr. Black served as Chairman of the Board for eight years, and as a member of the Executive Committee for 24 years. He was first elected to the Board of Directors in 1945. Mr. Black, through his dedication, loyalty and ability, made a contribution to the company that will be long remembered.

Two new directors, Alfred R. Landry and Walter F. Light were elected to the Board at the annual meeting. Mr. Landry is the senior partner in the Moncton law firm of Landry, Brison, LeBlanc and LeBreton. Mr. Light, Executive Vice-President, Operations for Bell Canada, succeeded George C. Wallace of Montreal. Mr. Wallace became a director in 1967 and the Board is indebted for his valuable counsel during his association with the company.

Norman A. Patterson was named Vice-President, Finance, succeeding George C. Turner. Mr. Patterson, a Chartered Accountant, joined the company in 1972 after 20 years experience in both the public and private business sectors. Former Vice-President, Operations, H. C. Fowlie retired early in the year after 42 years with the company.

Mr. Turner joined the company in 1925 and Mr. Fowlie in 1927. Their years with the company saw many changes and improvements to which they contributed substantially. The Board of Directors wishes to recognize the valuable contributions of these two long-service employees.



Features of the multi-million-dollar Brunswick Square complex proposed for uptown Saint John are described by Company President Kenneth V. Cox to Opposition Leader Robert J. Higgins, left, and Labor Minister Rodman E. Logan, right. Plans for the complex were unveiled at a City Hall press conference last August. In the background, James A. Soden, Q.C., President of Trizec Corporation, the developer, is shown being interviewed for a radio broadcast.

Other changes in senior management made during the year include the appointment of R. H. MacQuarrie to the newly created position of Director — Financial Records and Systems. B. W. Cosman became Chief Engineer, replacing W. H. R. Smith who has been loaned to Bell-Northern Research in Ottawa for two years. R. H. London was named General Traffic Manager replacing H. F. Doucet, who was appointed General Market Planning Manager.

The Directors wish to take this opportunity to pay tribute to our many employees whose contributions played a major part in making the year one of the best on record.

On behalf of the Board of Directors

Kenneth V. Cox

President
January 25, 1974



A sunset view of Pokeshaw Island in Chaleur Bay, similar to this, provided the color scene for the company's 1973-74 directory covers. The cover is the third in a series, depicting well-known beauty spots of Canada's Picture Province, which has received wide public acclaim.

The New Brunswick Telephone Company, Limited

INCOME STATEMENT (in thousands)

Year ended December 31	1973	1972
Operating revenues		
Local service	\$22,123	\$20,054
Long distance service	30,969	27,455
Other	2,532	2,255
Less uncollectible operating revenues	214	170
	55,410	49,594
Operating expenses		
Depreciation—note 1	11,622	10,498
Maintenance	9,193	8,205
Network traffic operations	3,418	2,973
Marketing and customer services	4,137	3,542
Finance and information systems	3,414	2,895
General administration	2,800	2,267
Pensions and other employee benefits	1,590	1,441
Other operating expenses	2,214	2,025
Less amounts charged to construction	1,633	1,208
	36,755	32,638
Operating income	18,655	16,956
Other income		
Interest on plant under construction	432	354
Interest earned	594	81
Other	101	36
	1,127	471
Income before interest charges and income taxes	19,782	17,427
Interest charges		
Interest on long-term debt	4,326	3,398
Other interest	39	63
Amortization of long-term debt expense	80	77
	4,445	3,538
Income before income taxes	15,337	13,889
Provision for income taxes—note 1	7,385	6,372
Net income	\$ 7,952	\$ 7,517
Net income per common share—note 1	\$ 1.60	\$ 1.55

The notes to financial statements on page 15 are an integral part of this statement.

The New Brunswick Telephone Company, Limited

Incorporated under the laws of New Brunswick

BALANCE SHEET (in thousands)

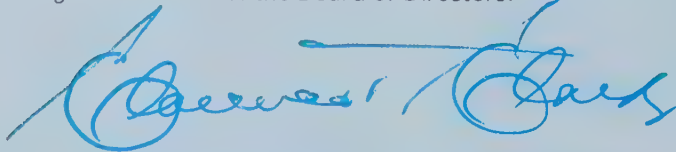
Assets, December 31	1973	1972
Telephone property (at cost)		
Buildings, plant and equipment	\$215,363	\$195,852
Less accumulated depreciation—note 1	65,109	57,453
	150,254	138,399
Land and plant under construction	11,822	6,218
	162,076	144,617
Investments (at cost)—note 2	1,103	803
Current assets		
Cash and temporary cash investments	3,066	346
Accounts receivable—note 3	7,375	6,480
Materials and supplies (at cost)	3,319	2,678
Prepayments	186	133
	13,946	9,637
Deferred charges		
Unamortized long-term debt expense	423	398
Preliminary engineering	579	592
	1,002	990
Total assets	\$178,127	\$156,047



Vice-President, Finance

The New Brunswick Telephone Company, Limited

Signed on behalf of the Board of Directors:



Director



Director

The notes to financial statements on page 15 are an integral part of this statement.

Liabilities and shareholders' equity, December 31**1973****1972****Shareholders' equity**

Capital stock—note 4		
Preferred	\$ 7,853	\$ 7,996
Common	47,251	46,060
Contributed surplus	3,032	2,870
Retained earnings	20,542	17,499
	78,678	74,425

Long-term debt—note 5**63,000****50,000****Current liabilities**

Bank indebtedness		557
Accounts payable and accrued charges—note 3	6,664	5,318
Dividends payable	1,125	1,019
Interest accrued on long-term debt	1,039	644
Long-term debt due within one year	2,000	1,500
	10,828	9,038

Deferred credits

Deferred income tax—note 1	25,556	22,081
Employees' stock plan—note 6	37	449
Other deferred credits	28	54
	25,621	22,584

Total liabilities and shareholders' equity**\$178,127****\$156,047****AUDITORS' REPORT**

To the Shareholders of The New Brunswick Telephone Company, Limited:

We have examined the balance sheet of The New Brunswick Telephone Company, Limited as at December 31, 1973 and the statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants
Saint John, N. B., January 24, 1974

SOURCE AND APPLICATION OF FUNDS (in thousands)

Year ended December 31	1973	1972
Source		
From operations:		
Net income	\$ 7,952	\$ 7,517
Items not requiring current funds:		
Depreciation—note 1	12,045	10,883
Deferred income tax—note 1	3,476	5,447
Less interest charged construction	432	354
	23,041	23,493
Issue of common stock—note 4	1,349	720
Issue of preferred stock		8,000
Issue of debentures—note 5	15,000	
	39,390	32,213
Application		
Construction expenditures	29,713	23,933
Less charges to construction not requiring current funds	641	1,157
	29,072	22,776
Long-term debt due within one year—note 5	2,000	1,500
Issue expense of preferred shares		228
Investments	300	133
Dividends on common shares	4,366	3,935
Dividends on preferred shares	543	406
Preferred shares purchased for cancellation	143	4
Miscellaneous items	447	107
Increase in working capital	2,519	3,124
	\$39,390	\$32,213

STATEMENT OF RETAINED EARNINGS (in thousands)	1973	1972
Balance at beginning of year	\$17,499	\$14,551
<i>Add:</i>		
Net income	7,952	7,517
	25,451	22,068
<i>Deduct:</i>		
Dividends on common shares	4,366	3,935
Dividends on preferred shares	543	406
Issue expense of preferred shares less deferred income tax		228
Balance at end of year	\$20,542	\$17,499

The notes to financial statements on page 15 are an integral part of these statements.

STATEMENT OF CONTRIBUTED SURPLUS (in thousands)

1973

1972

Balance at beginning of year	\$2,870	\$2,779
Add:		
Premium on common shares issued	158	91
Discount on preferred shares purchased for cancellation	4	
Balance at end of year	\$3,032	\$2,870

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

- DEPRECIATION is calculated on a straight-line basis over the estimated useful life of telephone plant by applying rates, determined by a continuing program of engineering studies, to the company's investment by class of plant. The composite rate for 1973 was 5.89 percent (5.85 percent for 1972).
 - INCOME TAX EXPENSE is provided on income as recorded in the company's accounts. Income tax payable recognizes a higher depreciation rate and expense items not deducted in computing accounting income, including certain expenditures that in accordance with telephone industry accounting practice are included in the cost of telephone property. The difference between income tax expense and income tax payable is shown as deferred income tax in the balance sheet.
 - PENSION FUND OBLIGATIONS are determined by an actuarial study done every five years. Such a study will be carried out in 1974. The unfunded obligation at December 31, 1973, totalling \$1,813,000 is being paid in annual installments of \$254,000 from 1974 to 1979 and \$182,000 from 1980 to 1983 and is charged to operations in the year of payment.
 - NET INCOME PER COMMON SHARE is based on the weighted average number of common shares outstanding.
2. INVESTMENTS represents mainly an investment in common shares of Telesat Canada Limited. Also included is an investment of \$6,290 in a wholly owned subsidiary, Bruntel Holdings Ltd.
3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE include amounts of \$204,000 due from and \$983,000 due to affiliated companies.
4. CAPITAL STOCK:
- | | | | |
|-------------|---|--------------|--------------|
| Authorized— | | | |
| 392,672 | \$1.37 cumulative redeemable preferred shares of the par value of \$20 each | | |
| 6,000,000 | common shares of the par value of \$10 each | | |
| Issued— | | 1973 | 1972 |
| 392,672 | preferred shares (1972 - 399,800 shares) | \$ 7,853,440 | \$ 7,996,000 |
| 4,725,119 | common shares (1972 - 4,606,003 shares) | 47,251,190 | 46,060,030 |
| | | \$55,104,630 | \$54,056,030 |

The preferred shares may be redeemed at par value plus a premium of \$1.37 if redeemed before March 15, 1975; the premium thereafter decreasing \$.17 to March 15, 1978 and \$.20 every three years to March 15, 1990.

During the year, the company issued 119,116 common shares for cash. In accordance with the terms of issue, the company purchased 7,128 preferred shares for cancellation. At December 31, 1973, 81,051 common shares were reserved for issue under the employees' stock plan.

5. LONG-TERM DEBT — DEBENTURES:

Maturing	Series	Rate	Principal
August 1, 1974	B	3-3/8%	\$ 2,000,000
April 1, 1976	F	4-1/8%	5,000,000
November 15, 1977	C	3-3/8%	2,000,000
April 1, 1979	G	5-1/8%	3,000,000
March 1, 1982	H	5-5/8%	5,000,000
March 1, 1984	I	5-3/4%	5,000,000
September 1, 1986	J	6-1/2%	7,000,000
November 15, 1987	K	7-1/4%	6,000,000
December 1, 1988	L	7-3/4%	5,000,000
June 1, 1990*	M	9-1/4%	10,000,000
March 2, 1983-97**	N	8-3/20%	15,000,000
			65,000,000
Less series B maturing within one year			2,000,000
			\$63,000,000

* Subject to prepayment on June 1, 1975 at the holder's option.

** Due March 2, 1983-97 at \$1,000,000 a year.

6. EMPLOYEES' STOCK PLAN represents amounts contributed by employees, and the interest thereon, pursuant to a policy under which an employee may assign up to 10 percent of his basic wage and also assign dividends from shares purchased under the plan for the purchase of common shares of the company at 80 percent of the market price or at the par value of the shares, whichever is the greater.
7. LONG-TERM LEASE obligations, principally covering rentals of circuits and building space, amounted to \$2,201,000 at December 31, 1973. Related rentals incurred for the year 1973 amounted to \$600,000 and the minimum obligation applicable to the next five years is \$2,185,000 of which \$665,000 is applicable to the year 1974.
8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS amounted to \$298,000 for the year ended December 31, 1973.

THE YEARS IN REVIEW

	1973	1972	1971	1970
Financial position (in thousands) (at Dec. 31)				
Telephone plant	\$227,185	\$202,070	\$183,748	\$171,180
Accumulated depreciation	65,109	57,453	51,378	45,295
Shareholders' equity *	78,678	74,425	62,761	59,437
Debentures	65,000	51,500	55,000	55,000
Deferred tax *	25,556	22,081	16,634	15,334

Income and expense items (in thousands)

Operating revenues	\$ 55,410	\$49,594	\$44,604	\$40,789
Operating expenses *	36,755	32,638	28,638	25,787
Interest on long-term debt	4,326	3,398	3,477	3,157
Income taxes *	7,385	6,372	6,201	6,102
Net income *	7,952	7,517	6,420	5,763

Financial statistics

Common equity per common share Dec. 31 *	\$14.99	\$14.42	\$13.81	\$13.26
Net income per common share *	1.60	1.55	1.42	1.29
Dividends declared per common share	0.94	0.86	0.82	0.80
Embedded cost of debt	6.9%	6.5%	6.5%	6.1%
Debt ratio Dec. 31 *	45.2%	40.9%	46.7%	48.1%
Times interest earned before tax *	4.6	5.1	4.7	4.8
Return on common shareholders' equity *	10.8%	11.0%	10.5%	9.9%
Return on total invested capital *	8.8%	8.9%	8.6%	8.1%
Cash flow per common share *	\$4.84	\$5.05	\$3.82	\$3.48

Telephone statistics

Telephone plant per telephone Dec. 31	\$804	\$777	\$761	\$760
Telephones in service Dec. 31	282,510 **	260,050	241,585	225,121
Telephones added during the year	22,460 **	18,465	16,464	10,301
Average daily local messages (in thousands)	1,098	1,022	939	1,053
Annual long distance messages (in thousands)	16,700	14,109	12,203	10,892

Miscellaneous statistics

Salaries and wages (in thousands)	\$20,790	\$18,011	\$15,593	\$13,683
Employees Dec. 31	2,483	2,301	2,175	2,007
Common shareholders Dec. 31	11,059	11,174	11,299	11,699
Construction expenditures (in thousands)	\$29,713	\$23,933	\$16,314	\$16,177

* Reflects the retroactive adjustments of deferred income taxes made in 1969 and vacation liability made in 1968.

** Includes 841 telephones purchased from the Fort Kent Telephone Company.

1969	1968	1967	1966	1965	1964
\$159,077	\$146,461	\$136,033	\$121,976	\$109,518	\$98,374
39,829	35,260	31,410	28,267	26,075	23,314
56,687	55,173	53,929	47,184	45,916	39,373
47,000	47,000	42,000	36,000	29,000	29,000
14,060	12,720	11,227	10,307	9,553	8,694
\$35,332	\$31,965	\$29,323	\$26,829	\$24,379	\$21,574
23,544	20,958	19,474	17,778	16,171	14,248
2,644	2,289	1,876	1,519	1,367	1,319
4,719	4,523	4,021	3,757	3,456	3,084
4,502	4,333	4,119	3,790	3,503	3,095
\$12.80	\$12.61	\$12.42	\$12.15	\$11.92	\$11.56
1.02	0.99	0.98	0.98	1.00	0.91
0.80	0.80	0.80	0.74	0.72	0.72
5.7%	5.5%	5.2%	4.9%	4.8%	4.7%
45.3%	46.0%	43.8%	43.3%	38.7%	42.4%
4.6	4.9	5.4	6.1	6.1	5.7
8.1%	8.0%	8.0%	8.2%	8.5%	7.9%
7.0%	6.9%	6.8%	6.8%	6.9%	6.6%
\$3.09	\$2.96	\$2.73	\$2.69	\$2.61	\$2.40
\$741	\$709	\$696	\$663	\$634	\$611
214,820	206,507	195,448	183,895	172,823	160,980
8,609	11,059	11,553	11,072	11,843	8,993
1,017	971	923	925	870	825
9,794	9,013	8,278	7,431	6,634	5,797
\$12,441	\$11,083	\$10,059	\$9,017	\$8,052	\$7,065
2,069	1,992	2,038	1,965	1,844	1,649
12,038	12,337	12,564	12,034	12,192	11,411
\$17,176	\$14,572	\$18,079	\$16,326	\$14,207	\$11,167

